

Online lending: Financial inclusion or digital illusion

The phenomenon of “*gal-bay*”, derived from *ga-gal bayar* (failure to pay) and referring to deliberate defaults on online loans, has recently captured public attention. This call to collectively refuse repayment has emerged as a form of resistance against predatory, illegal online lenders notorious for their practice: usurious interest, aggressive collection and personal data misuse.

But fighting one wrong with another wrong is never the solution. If it is embraced widely, this movement risks inflicting harm not only on lenders but also on the broader financial system. Ironically, it can hurt the borrowers themselves.

The Financial Services Authority (OJK) has already warned that such action could jeopardize people's own financial futures, from blocking access to credit to delaying mortgage approvals, even constraining job opportunities.

A media report shows that 70 percent of potential home loan applicants failed credit checks due to negative records in the OJK's Financial Information Service System (SLIK), often not because of their inability to repay, but due to small arrears that have been overlooked or late payments.

This reality exposes the far-reaching consequences of online lending. Its impact is not confined to financial transactions, and extends into dreams of homeownership, employability and social relationships. All can be disrupted by the stigma of unpaid debt.

Here lies the paradox of Indonesia's fintech lending sector. On the one hand, it promises financial inclusion, offering quick credit access to those excluded from banks. On the other hand, it introduces new risks, from exorbitant interest rates to rising overindebtedness. Both can lead to long-term finan-



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cial vulnerability.

For many borrowers, the story begins innocently enough. They seek short-term relief, for example to pay school fees, cover sudden medical costs or simply bridge expenses at the end of the month. Compared to the bureaucracy of banks, fintech loans feel more accessible and friendly, especially for those long marginalized from formal finance.

Yet once repayment comes due, interest and fees snowball. Delays often trigger relentless collection efforts, and negative credit records tighten the borrower's exclusion from future financial opportunities.

The challenges are equally severe for retail investors lending their money through these platforms. Peer-to-peer lending was sometimes marketed as community solidarity while promising higher returns than deposits. But when default rates rise, what looked like an attractive opportunity might quickly turn into a nightmare. Lacking sophisticated risk mitigation tools, small investors must rely on platforms or credit insurance that often fail to fully cover losses.

There have been numerous instances where platforms could not reconcile borrower defaults with investor claims. Some have even lost their licenses and were forced to shut down, leaving investors stranded. The contradiction is stark: A system born to democratize finance ends up generating new layers of distrust and instability.

Has online lending truly advanced financial inclusion, or has it turned into a digital debt trap that leads to exclusion?

The government has responded

ed with tighter rules. Under OJK Regulation No. 11/2024, licensed platforms must now report to the SLIK. Under OJK Regulation No. 40/2024, they must screen creditworthiness before disbursing loans. The intent is clear: Curb reckless lending, prevent digging one hole to cover another and suppress default rates.

Yet regulation alone cannot resolve the structural weaknesses. A promising alternative now emerging is the ecosystem lending model, where banks provide the capital while fintech firms serve as technology partners and gatekeepers, filtering borrowers according to criteria set by banks.

This model shifts credit risk away from thousands of vulnerable retail investors to institutions with capital, discipline and tight regulatory oversight. Borrowers still benefit from digital speed and accessibility, but within a stronger governance framework.

Of course, ecosystem lending has its own challenges. Bank involvement may tighten eligibility, leaving some vulnerable groups excluded.

But from the standpoint of sustainability, it holds greater promise. First, defaults are absorbed within the banking system's prudential standards rather than dispersed among fragile households. Second, collaboration fosters better governance, from credit checks to data protection. Third, financing remains accessible, but with more accountable risk sharing.

In many ways, this model restores the original spirit of inclusion, blending digital flexibility with banking discipline. It cre-

ates a compromise between efficiency and responsibility, ensuring that financial innovation does not sacrifice fairness.

Still, no regulatory or structural fix can replace the importance of financial literacy. Without the right knowledge, society remains vulnerable to the allure of quick loans. Literacy means knowing when borrowing is necessary, how much is affordable and what the long-term consequences are. Debt has always been a double-edged sword: It can be a tool or a trap, depending on how it is used.

At its core, the debate on online lending is no longer just about interest rates, defaults or credit scores. It is about how we design a financial system that is not only efficient but also humane and just, because behind every credit formula and repayment statistic lies a human story. It is the story of someone struggling to navigate the weight of daily life in search of dignity and opportunity.

That human face must remain at the heart of our policies, for financial inclusion is not truly inclusive if it ends up excluding those it intends to serve. This is why Indonesia's fintech lending must be steered thoughtfully.

Regulators, banks and fintech platforms must act in concert to tighten investor protection, embedding stronger consumer safeguards. Above all, it must roll out a national campaign on financial literacy that speaks to ordinary households.

Only through such a coordinated effort can we ensure that online lending truly realizes its promise of empowerment. This is an opportunity to build a digital financial system that does more than manage risks or prevent harm. The future of financial inclusion should be about expanding opportunities for all, without leaving anyone behind.